Export credit to exporters

23. SHRI MURLI DEORA: Will the MInister of COMMERCE AND INDUSTRY be pleased to state:

(a) the rate at which export credit is given to the exporters and how far it compares with China;

(b) whether transaction costs are high in India;

(c) if so, the details thereof;

(d) whether crediting of export remittances by Banks in exporters' account is delayed;

(d) if so, the steps being taken by government to improve the competitiveness of the Indian exporters in the global market as compared to China?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI SATYABRATA MOOKHERJEE): (a) The existing interest rate structure of export credit in rupees as well as in foreign currency is:

In Rupees:

Not exceeding Prime Lending Rate (PLR) minus 2.5 percentage points for pre-shipment credit upto 180 days, against incentives receivable from Government covered by ECGC guarantee upto 90 days and for post-shipment credit (demand bills for transit period as specified by FEDAI, usance bills, undrawn balances and retention money for supply portion only) upto 90 days.

Banks are free to decide the rate of interest to be charged, keeping in view the PLR and the spread guidelines, for pre-shipment credit beyond 180 days and upto 270 days, post-shipment credit beyond 90 days and upto 6 months from the date of shipment, deferred credit for periods beyond 180 days and for pre-shipment and post-shipment export credit not otherwise specified.

In Foreign Currency:

Not exceeding 0.75% over LIBOR/EUROLIBOR/EURIBOR for pre-shipment credit upto 180 days, on demand bills for transit

period as specified by FEDAI, usance bills upto six months from the date of shipment. Interest rate applicable for above mentioned period plus 2.0 percentage points for pre-shipment credit beyond 180 days and upto 360 days and for both demand and usance export bills on post-shipment credit basis.

Banks are free to decide the rate of interest, keeping in view the PLR and the spread guidelines, for export credit not otherwise specified on both pre and post shipment credit basis.

China provides suppliers credit for Chinese exporters for which the rate is decided by the Central Bank, i.e. the People's Bank of China. In the case of Exim Bank of China, it is not bound by the OECD Consensus and interest support is offered by the National Department of Finance. Reports indicate that in the case of China effective export credit interest rates are often lower than the Commercial Interest Reference Rates (CIRR). Exim Bank of China is the policy bank of China and its business is completely underwritten by the Government of China.

(b) and (c) Exim Bank through a study conducted on "Transaction Cost of India Exports" has observed that transaction costs of Indian exports have declined in recent years. In case of textiles, the transaction costs have declined from 15% in 1998 to 3-10% of export revenue. Significant declines have also been observed in the case of engineering goods, chemicals, computer software and agro industries. In case of pharmaceuticals, the decline is modest compared to other sectors. Transaction costs are perceived to be of the magnitude of 5-10% of export revenue in case of electronics and electrical machinery, paper products and plastic components.

(d) RBI has advised Banks to promptly pass on credit to the customers on realisation of export bills. Banks have also been instructed to pay compensation stipulated by FEDAI to the exporter client, in case of delay in affording credit to the exporters; account in respect of payment advices received, complete in all respects, without waiting for a demand from the exporter. Banks have also been advised to devise a system to monitor timely credit of the export proceeds to the exporters' account.

(e) The Government has launched a number of programmes/ schemes in line with the medium term export strategy policy announced

for the 10th Plan Period (2002-07) to improve the competitiveness of the Indian exporters in the global markets. These, *inter-alia*, are:

Assistance to State for Developing Export Infrastructure.

Establishing Agri Export Zones.

Market Access Initiative.

Strengthening "Focus-LAC" Programme.

Introducing "Focus-Africa" and "Focus-CIS" Programmes.

Focus on service exports.

Strengthening Special Economic Zones and 100% Export

Oriented Units.

Strengthening of Duty Neutralisation scheme for import of inputs used for export products.

Targets for Exports in Tenth Plan

24. SHRI SURESH PACHOURI: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the target set for export in the Tenth Plan;

(b) how it compares with the target set in the Ninth Plan;

(c) the achievements made against the target in the Ninth Plan;

(d) whether the target set for the Tenth Plan is realistic;

(e) if so, how it is proposed to meet the target; and

(f) the growth in exports achieved during the first year of the Tenth Plan?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI SATYABRATA MOOKHERJEE): (a) to (c) As per the Tenth Five Year Plan document, exports are projected to increase by 12.4% per annum during Tenth Plan from US$ 44915 million in 2001-02 to US $ 80419 million by 2006-07 which is in line with the 12% annual growth rate envisaged in the Medium Term Export Strategy 2002-07 announced by the Commerce Minister. The Ninth Plan had envisaged